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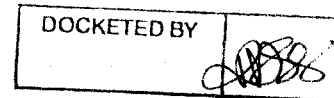
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

December 20, 2010

Arizona Corporation Commission
DOCKETED

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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



RE: Arizona Corporation Commission's Inquiry into Aggregated Net Metering for
Electric Services and Possible Modification of Net Metering Rules
Docket No. E-00000J-10-0202

Dear Sir or Madam:

Arizona Public Service ("APS" or "Company") appreciates the Commission Staff's ("Staff") efforts in supporting a study to further examine the issues related to the potential implementation of an Aggregated Net Metering ("ANM") policy in Arizona. APS respectfully submits its comments on the Staff's report titled "Aggregated Net Metering in Arizona." These comments are submitted in supplement to those provided by the Company in a letter dated September 13, 2010 in response to initial Commission inquiry into stakeholder positions on ANM. In addition, the Company has attached Appendix A, which is a summary of Staff's recommendations, including APS's position on each recommendation. Overall, APS is generally aligned with the key recommendations included in Staff's report.

1. Staff concludes that *"ANM is not consistent with Arizona's net metering rules, and the Commission would have to undertake a rulemaking in order to implement ANM under the rules."*

APS strongly agrees with Staff's conclusion. Upon further examination of the definition of net metering, it was evident that a program including multiple meters, such as ANM, was not considered as part of the net metering rules. This finding suggests that rulemaking would be necessary in order to implement ANM under the net metering rules. Therefore, APS supports Staff's conclusion and recommends that an ANM pilot be considered only after an evaluation of net metering rules and any subsequent formal rulemaking process.

APS • APS Energy Services • SunCor • El Dorado

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2. Staff reports that cost shifting and cost recovery issues are not included in the scope of this pilot program.

APS strongly recommends that the Commission consider a quantitative analysis of the effects of cost shifting prior to implementing an ANM pilot. The Company reiterates that ANM would represent a departure from the basis upon which existing electric rates have been established for APS and other electric public service corporations. This would entail a revenue loss to the utility in the short term and a shift of cost responsibility to non-participating customers in the longer term, of which the magnitude has yet to be determined. Without evaluating the cost shifting issue, the Commission and utilities can not accurately determine the rate impacts of an ANM pilot program on non-participating customers.

3. Utilities should wait until the Feed-In-Tariff ("FIT") programs have been implemented, as FITs and ANM seem to address similar issues.

APS suggests that the Commission allow adequate time to evaluate the participation and program mechanics of the recently approved FIT programs. The Company believes that both the ANM pilot and the FIT pilot program set out to achieve a similar goal, which is to provide a program for customers who want to install renewable energy systems and do not have sufficient load at a single location to participate under the current net metering rules. The Commission recently approved two APS-proposed programs in response to Commission and industry interest in FIT programs. One of these programs, the Powerful Communities wholesale distributed energy FIT, targets the small and medium-sized customers through a fixed price offering for solar production with a standard contract. In approving this program, the Commission required that APS report on the status of its program in its 2012 Renewable Energy Standard Implementation Plan (filed by July 1, 2011) to determine what, if any, modifications should be made based on customer participation. APS believes it is appropriate to use the evaluation of the FIT program before the Commission orders the Company to initiate an ANM pilot program.

In conclusion, APS commends Staff on its thorough study regarding ANM in other states and the Company strongly agrees with Staff's conclusion that ANM is not consistent with the existing rules and that a rulemaking would be necessary should the Commission decide to move forward with implementation of ANM under the rules. Further, APS recommends that the Commission conduct a quantitative analysis of the effects of cost shifting prior to implementing an ANM pilot and allow sufficient time to determine the success of the recently approved FIT program.

Sincerely,



Thomas L. Mumaw

TLM/jj

Attachments

cc: Attached Parties of Record

Copy of the foregoing mailed/delivered
this 20th day of December, 2010, to:

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Appendix A

Staff's Recommendations Regarding ANM Implementation

1. **Introduction:** Although APS does not generally believe an ANM pilot of any kind is appropriate at present, the Company provides the following summary of its position on the various Staff Recommendations assuming hypothetically that such a pilot would be implemented at some future time.

2. **Eligibility Requirements:**

- **Eligible Customer Classes**

Staff's Recommendation – The Commission should allow only governmental and agricultural customers to participate in its pilot ANM program.

APS's Position – APS does not oppose Staff's recommendation.

- **Eligible Tariffs**

Staff's Recommendation – The Commission should permit all tariffs to participate in its pilot ANM program. The Commission should allow each participating utility to decide whether or not to require a pilot program customer to have all of his participating meters on the same tariff.

APS's Position – Given the proposed parameters of the pilot program, APS does not oppose Staff's recommendation; however, the Company would recommend restricting the eligible rate schedules to exclude unmetered services such as street lighting.

- **Capacity Restrictions**

Staff's Recommendation – The Commission should apply the generation capacity restriction in the current net metering rules – 125 percent of a participating customer's total connected load – to its pilot ANM program. The Commission should require each participating utility to propose a cumulative capacity limitation for that utility's particular ANM program. The Commission would be able to approve the proposed limitations before the utility could move forward with its ANM program.

APS's Position – APS does not oppose Staff's recommendation, and adds for clarification purposes that: 1) the 125% capacity restriction should apply to a single location, not the sum of separate sites owned by a single customer; and 2) in any ANM scenario, the costs of any system improvements required to accommodate the generating facility will be borne by the participating customer per APS Service Schedule 3.

- **Geographic Restrictions**

Staff's Recommendation – For the ANM pilot programs, the Commission should limit the distance between an ANM customer's generation facility and that customer's participating meters to the same property or contiguous properties.

APS's Position – APS does not oppose Staff's recommendation.

3. Technical Requirements:

Staff's Recommendation – The Commission should apply the technical requirements - in particular, the meter, equipment and interconnection requirements - under Arizona's current net metering rules to its ANM pilot program.

APS's Position – APS does not oppose Staff's recommendation.

4. Program Administration:

- **Designation of Participating Meters**

Staff's Recommendation – The Commission should permit a customer to aggregate an unlimited number of that customer's meters, and should allow that customer to designate which meters to aggregate, within any limits that utility is permitted to set, e.g. tariff restrictions.

APS's Position – APS does not oppose Staff's recommendation.

- **Change of Participating Meters**

Staff's Recommendation – The Commission should permit utilities to decide how frequently ANM customers may change their participating meters and what notice to require from customers. However, the Commission should require utilities to allow such changes at least every six months.

APS's Position – APS supports Staff's recommendation that the utilities should be permitted to decide how frequently ANM customer may change their participating meters. Moreover, the Company strongly recommends that a customer can change their participating meters no more than on an annual interval. Allowing customers to change their participating meters more frequently would be in conflict with APS's Service Schedule 1 that requires a customer to remain on a particular rate for one year. APS's rates are seasonally-adjusted and have historically not allowed for customers to switch rate schedules more frequently than annually. To do otherwise would encourage seasonal arbitrage of the rates to produce lost revenues unrelated to ANM itself and further exacerbate the issue of cost shifting onto non-participants.

- **Allocation of Excess Generation Credits to Multiple Accounts**

Staff's Recommendation – The Commission should require a utility to allocate any excess generation credits to the meter connected to the renewable generation facility first, and then to the other participating meters. The Commission should permit utilities to decide how to allocate the excess generation credits among a customer's participating meters, after allocation to the meter at the generation facility. The Commission should require that utilities credit only the kWh component of an ANM customer's bill.

APS's Position – *APS does not oppose Staff's recommendation.*

5. Program Costs:

Staff's Recommendation – For the time being, in this pilot program stage, Staff does not recommend that the Commission take any additional action regarding cost issues beyond data collection.

APS's Position – *APS strongly recommends that the Commission conduct a quantitative analysis of the effects of cost shifting prior to implementing an ANM pilot. The Company reiterates that ANM would represent a departure from the basis upon which existing electric rates have been established for APS and other electric public service corporations. This would entail a revenue loss to the utility in the short term and a shift of cost responsibility to non-participating customer in the longer term, of which the magnitude has yet to be determined. Without evaluating the cost shifting issue, the Commission and utilities can not accurately determine the financial effects of an ANM pilot program on non-participating customers.*